



Benefits and Restrictions upon Separation from Employment

If staff members enrolled in the Alternate Benefits Program (ABP) will be terminating their employment at the end of this school term, they should be counseled concerning their benefit rights under the ABP. There are certain deadlines regarding the continuance of benefits following termination of employment, which must be met by members, or benefits may be lost. The following is a summary of the benefits available after termination of employment and what actions are required for members to be eligible for those benefits.

Retirement

Upon terminating employment with ABP eligible employers, participants of the ABP may elect to immediately collect a benefit or delay collecting a benefit from their 401(a) contracts from the investment carrier to which their contributions have been remitted.

The ABP provides an option for cash distribution of an annuity contract. Cash distributions to members under the age of 55 years are limited to the employee's contributions and related accumulations. The remaining employer contributions and earnings are available for distribution upon attaining age 55.

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Long-Term Disability Coverage

Alternate Benefit Program (ABP) participants are covered by the Long-Term Disability (LTD) insurance after completing 12 months of continuous full time employment in an ABP eligible position.

Long-Term Disability Application Process

Outlined below are the application procedures.

- Benefit payments may begin after 26 consecutive weeks (six months) of total disability. The LTD benefit may be up to 60% of base salary and will be calculated using the applicant's 12-month base salary prior to the first month in which the employee became unable to work.
- At the 4th month of total disability an application for Social Security disability benefits should be filed with the Social Security Administration. The Prudential Insurance Company, which administers payment of LTD claims, will not release LTD benefits until having been appraised of the eligibility for any Social Security benefit award.
- ABP LTD Benefit claim forms should be sent to the Defined Contribution Plans Unit of the Division of Pensions & Benefits at the start of the 4th month of total disability.
- The ABP LTD claim forms are reviewed for completeness and accuracy of salary information provided.

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Campus Contact Update

If you received this mailing you have been identified as an individual who is responsible for the administration of one or more defined contribution plan programs on your campus or payroll center. Over the years the Division of Pensions and Benefits has developed separate contact lists for each of the defined contribution retirement programs for which it is responsible. These programs (Additional Contributions Tax-Sheltered Program, Alternate Benefit Program, New Jersey State Employees Deferred Compensation Plan, and Supplemental Annuity Collective Trust) are typically administered through the same office or even by the same individual in your organization. However, in some circumstances it may be necessary to forward specific program information to one individual or office instead of another.

Therefore, the Defined Contribution Plans Unit is now updating and merging the contact lists for these separate programs. Enclosed is an information sheet showing the information we have on file for you and your organization. We have also provided space for revisions to this data. In addition, please use this sheet to indicate the types of information or programs for which you are responsible and need to be kept abreast of changes. We are also asking for fax and e-mail address information to permit us to distribute program information more effectively.

Please return your updated information sheet no later than August 31, 2001. If there are no changes needed please indicate this on the sheet and return it to our office. **Addressees not responding to this mailing will be removed from our contact list.** A pre-addressed return envelope is enclosed for your convenience.

Annual report of covered lives for group insurance benefits through the Prudential Insurance Company

In mid-July 2001 we will be sending to all ABP employers the annual report of covered lives. Information obtained from this report is used to determine members' eligibility for group life and long-term disability benefits under the ABP. It is also needed by the Division to budget for these benefit costs in the next fiscal year.

Because of this interrelationship, it is important that accurate information be returned to the Division as quickly as possible to provide uninterrupted benefits to ABP members and obtain state funding of these programs in the future. We are asking for these reports to be returned to the Division by the end of August 2001. If you anticipate a problem completing the report in a timely fashion, please contact us to discuss alternatives available to you. To contact the ABP, call (609) 777-0887.

Benefits and Restrictions (continued from page 1)

Lump-sum distributions of mandatory contributions, whether full or partial, are considered benefits. Therefore, the participant taking a lump-sum distribution will be considered retired under the ABP, regardless of the amount of the distribution or their age at the time of the distribution.

The ABP is deemed to be a pension fund or retirement system as defined under NJ State statutes. Therefore, any member who is considered retired from the program is ineligible to participate in any pension system administered by the State of New Jersey, as indicated in N.J.S.A. 18A:66-170. This includes the ABP, Teachers' Pension and Annuity Fund, Public Employees' Retirement System, or any other retirement program administered by the NJ Division of Pensions and Benefits. If an ABP member is considering returning to employment and wishes to continue membership in the ABP or any other retirement program, they must not take distribution from their ABP investment contracts containing **mandatory 401a** and **414(h) employer and employee contributions**. Doing so will convert their status to that of a retired ABP member. However, distribution from their ABP investment contracts containing **voluntary** employee contributions are permitted without affecting their future membership status.

Group Life Insurance Benefits

For a member who has terminated employment to be eligible for group life insurance benefits, the member must first be considered retired (see earlier description of retired status). Participants are considered retired when they receive benefits, including lump-sum cash settlements. They must also meet all of the following criteria to be eligible for life insurance coverage in retirement:

- a. be 60 years of age or older when they terminate employment;
- b. have at least 10 years of pension (ABP or other NJ state pension fund) membership credit;
- c. be actively employed in a position covered by the ABP in the year prior to retirement (members on long term disability are considered to be in active employee status while disabled);
- d. be covered under the ABP group life insurance immediately prior to retirement; and
- e. annuitize the benefit contract(s) within 12 months of termination of employment.

The amount of a participant's death benefit during retirement will be equal to one-half of the last 12 months of salary on which contributions were made under the ABP.

If the member has met items "a" through "d" of the criteria for coverage listed above for group life insurance but fails to begin receipt of benefits within twelve months following termination of employment, the benefit will be lost.



Expanded Investment Options for ABP and ACTS

In conjunction with the Division of Investment, the Division of Pensions and Benefits has completed a review of materials from TIAA-CREF in support of their offering an additional investment option; the CREF Inflation-Linked Bond Account. Effective May 2001, TIAA-CREF is permitted to accept allocations and transfers to this new investment option. You should expect to receive updated marketing materials and forms (from TIAA-CREF) in the near future. Be assured that the expansion of investment options will not affect your payroll program; the allocation of contributions within the carriers' investment options are handled by each of the carriers.

Investment Carrier Performance Evaluation

Under New Jersey statutes, all carriers are subject to a performance review by the Pension Provider Selection Board every seven years. Carriers must meet the standards established by the Pension Provider Selection Board in order to be renewed as an approved carrier.

The Pension Provider Selection Board has not yet established standards. Before doing so, the Division is canvassing college and university administrative staff for their comments. Enclosed is a survey document that should be completed by an officer of each educational facility and be returned to the Defined Contribution Plans Unit at the Division of Pensions and Benefits. Replies received by August 31, 2001, will be considered by the Pension Provider Selection Board when it meets later this year to draft the formal evaluation criteria.

Your input is valuable to this process, so please take some time to consider your responses to this survey.

Long-Term Disability Coverage

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- Completed forms are forwarded to Prudential Insurance for medical review and approval or denial of the claim.

The NJ State Health Benefits Program (SHBP) is notified that a LTD application has been filed. This is used in determination of eligibility for the continuation of health benefit coverage. For SHBP purposes, a LTD member is considered a retiree and the rules for SHBP Retiree Group apply. The SHBP will send an offering letter to eligible employees. The State Health Benefits Program is also notified of the approval or denial of the claim.

Alternate Benefit Program Contacts

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For your Rolodex

The ABP Bulletin

Division of Pensions and Benefits

This newsletter is published semi-annually to provide news and information to employers that participate in the New Jersey Alternate Benefit Program. The information presented in this newsletter reflects the current practice and policies of the Division of Pensions and Benefits as it administers its programs. If there are discrepancies between the information presented here and the law, or regulations, the latter will govern. If you have questions or comments, please contact the Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295, (609) 777-0887.

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